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Letter dated 1 June 2015 from the Panel of Experts established pursuant to Security Council resolution 1929 (2010) addressed to the President of the Security Council

The Panel of Experts established pursuant to resolution 1929 (2010) has the honour to transmit herewith, in accordance with paragraph 2 of resolution 2159 (2014), the final report on its work.

The report was provided to the Security Council Committee established pursuant to resolution 1737 (2006) on 24 April 2015 and was considered by the Committee on 1 June 2015.

The Panel would appreciate it if the present letter and its annex were brought to the attention of the members of the Security Council and issued as a document of the Council.

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Final report of the Panel of Experts established pursuant to resolution 1929 (2010)

Summary

The current mandate of the Panel is concurrent with the continuing implementation and extension of the previously agreed Joint Plan of Action, which will end on 30 June 2015, a few days before the end of the Panel's mandate on 9 July 2015.

The present report is being delivered shortly after the Islamic Republic of Iran and the E3+3 countries,[a] on 2 April 2015, "reached solutions on key parameters of a Joint Comprehensive Plan of Action" and while negotiations are continuing towards final agreement.

The Security Council, in a new resolution, will endorse a final agreement and will have to address existing Security Council sanctions which have been at the centre of recent negotiations. To date, all Security Council sanctions have remained fully in effect. It has been, inter alia, the task of the Panel to remind Member States of the continuing application of Security Council sanctions and their obligations under the resolutions. It is to be noted that, despite the ongoing negotiations and high expectations of a final agreement to be reached, the mandate period has not been marked by a relaxing of United Nations sanctions implementation, nor a wavering of political will by the Member States to act in accordance with Security Council obligations. Such commitment by Member States has exerted a definite influence in reaching the negotiated result.

The Islamic Republic of Iran has complied with its safeguards obligations, implemented its commitments under the Joint Plan of Action, and worked with the International Atomic Energy Agency (IAEA) on Framework for Cooperation matters.

As part of the Joint Plan of Action, concomitant with IAEA confirmation that the Islamic Republic of Iran was fulfilling the "voluntary measures" agreed in this format, some unilateral sanctions have been suspended, providing limited relief to the Islamic Republic of Iran's economy.

The Panel has not identified cases of procurement for activities prohibited under Security Council resolutions that occurred during the current mandate, nor have any such cases being reported by Member States.

However, the following developments have been noted in other areas covered by the Security Council resolutions, and not addressed in the Joint Plan of Action:

During the current mandate, the Islamic Republic of Iran has not launched or unveiled any new types of medium-range ballistic missiles. However, the Fajr satellite was launched by a Safir space launch vehicle and the Islamic Republic of Iran's annual Great Prophet military exercise reportedly involved the Fateh 110 ballistic missile.

The Islamic Republic of Iran's arms transfers have actively continued, as reflected in numerous media reports, raising concerns among some Member States. The Panel notes that no State has formally reported an actual case of non-compliance although one State has informed the Panel of an offer by the Islamic Republic of Iran.

Travels to neighbouring countries of a prominent designated Iranian individual, amply covered by the media, have been duly noted by the Panel. Nevertheless, no violation of the travel ban as such has been formally reported to the Committee.

The Panel has observed that the private sector remains in compliance. Although many companies, in the expectation of increased commercial opportunities in the near future, are exploring possibilities, companies have limited themselves to preliminary understandings. This indicates that the private sector remains risk adverse, mindful of obligations and of reputation.

The overall lack of reporting is a distinctive feature of this mandate period. It might be linked, inter alia, to a decrease in the Islamic Republic of Iran's prohibited activities and restraint on the part of Member States so as not to affect the negotiations process.

Given the ongoing negotiations, the Panel refrains from additional recommendations to those already proposed in the Panel's previous final reports.[b]

[a] The E3+3 countries include France, Germany, the United Kingdom of Great Britain and Northern Ireland, China, the Russian Federation and the United States of America.

[b] These are to be found in the 2011 final report, in S/2012/395, in S/2013/331 and in S/2014/394.

Introduction

1. The present report has been prepared in accordance with the Panel's mandate as set forth in paragraph 29 of resolution 1929 (2010), and renewed by resolution 2159 (2014). It summarizes the Panel's work since 9 June 2014.

Methodology

2. The Panel conducted its work on the basis of its mandate, under the direction of the Security Council Committee established pursuant to resolution 1737 (2006). The Panel is mindful of the Fact Sheet of the Committee,[1] the methodological standards contained in the report of the Informal Working Group of the Security Council on General Issues of Sanctions of 22 December 2006 (S/2006/997) and further described in *Best Practices and Recommendations for Improving the Effectiveness of United Nations Sanctions*. The Panel is aware of potential sensitivities in connection with information received from Member States or the private sector and is mindful of preserving confidentiality of all sources of information.

Activities of the Panel

3. The Panel's work includes consultations with Member States, inspections of reported incidents and investigations of possible cases of non-compliance, and also outreach to raise awareness about United Nations sanctions implementation, possible circumvention and the need for vigilance. The Panel regularly consults experts in governments, academia, non-governmental organizations, the private sector, United Nations bodies and, as appropriate, other United Nations panels of experts. During the present mandate, the Panel held consultations with 11 Member States, participated in 12 seminars and conferences and co-organized an outreach seminar in Jordan.

I. Recent developments

A. International and internal context

Joint Plan of Action and negotiations

4. The current mandate of the Panel has coincided with the continuing implementation and extension of the Joint Plan of Action,[2] and with the Islamic Republic of Iran and the E3+3 reaching "solutions on key parameters of a Joint Comprehensive Plan of Action" (hereafter "agreement of 2 April"). The Joint Plan of Action will end on 30 June 2015, a few days before the end of the Panel's mandate on 9 July 2015.

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[1] "Fact sheet: the 1737 Committee and its Panel of Experts", approved by the Committee on 19 April 2013. Fact sheet posted on the Committee's web page: www.un.org/sc/committees/1737/pdf/Fact_Sheet_en.pdf.

[2] The Joint Plan of Action entered into force on 20 January 2014 and was extended on 24 November 2014 until the end of June 2015 with an intermediate date for the conclusion of a political agreement by 31 March 2015. The "parameters for the Joint Comprehensive Plan of Action" were adopted on 2 April and, as decided by the E3+3, details have to be worked out by 30 June 2015.

5. To date, the Islamic Republic of Iran has implemented the requirements of the Joint Plan of Action. This has generated positive expectations in the international community. However, the Islamic Republic of Iran has continued to deny the legitimacy of provisions of Security Council resolutions not addressed in the Joint Plan of Action:[3] arms transfer activities by the Islamic Republic of Iran appear to have actively continued, raising concerns in particular in the region; some cases of non-compliance with the travel ban have also been observed.

6. During the negotiations, Security Council sanctions have remained fully in effect. It has been, inter alia, the task of the Panel to remind Member States of the continuing application of sanctions and obligations under the existing resolutions.

Economy of the Islamic Republic of Iran

7. Since the first phase of the Joint Plan of Action, certain unilateral sanctions have been suspended, others partially lifted (regarding the Islamic Republic of Iran's purchases and sale of gold and metal, exports of petrochemical products, and its automotive industry and spare parts). Some assets, frozen under unilateral sanctions, have been released to the Islamic Republic of Iran. As at mid-April 2015, and since the adoption of the Joint Plan of Action, the Islamic Republic of Iran has received US$ 10.43 billion in 21 instalments.[4] This has released some pressure on the Islamic Republic of Iran's economy although it has continued to suffer from its inability to access hard currencies, while it has been authorized by the Joint Plan of Action to restart its oil exporting activities.

8. The Islamic Republic of Iran's economy moved out of recession in December 2014.[5] In his speech of 11 February 2015, marking the thirty-sixth anniversary of the Revolution, the President of the Islamic Republic of Iran, Hassan Rouhani, said the economy had grown at an annual rate of 4 per cent, pulling it out of two years of recession.[6] Inflation, once around 40 per cent, is now below 17 per cent. But, while oil still represents 42 per cent of state revenues, the fall in oil prices is endangering the recovery and could tilt the country again towards recession.[7]

9. Meanwhile, numerous foreign companies, taking advantage of the improved diplomatic atmosphere, are attempting to position themselves for an eventual relaxation of sanctions to gain market share. Economic delegations have visited Tehran and preliminary deals have been discussed. The Panel has no indication that this activity has led to non-compliance with the Security Council resolutions.

Political situation

10. It is difficult to evaluate the internal political balance of forces between the pro-Rouhani elements and the conservative ones rallying around the leaders of the Islamic Revolutionary Guard Corps (IRGC) and conservative forces in Parliament.

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[3] International Atomic Energy Agency (IAEA), Communication dated 11 March 2015 received from the Permanent Mission of the Islamic Republic of Iran to the Agency regarding the report of the Director General on the implementation of safeguards in Iran (INFCIRC/873, 17 March 2015).

[4] Information received from one Member State.

[5] "Rouhani says recession over in Iran", *Mehr news*, 24 December 2014.

[6] Ladane Nasseri, "Iran exits recession with 4% growth in six months, Rouhani says", *Bloomberg*, 24 December 2014.

[7] "Iran's economy: fading hope", *The Economist*, 7 March 2015.

The declarations of the Supreme Leader, Ayatollah Ali Khamenei, seem to have given President Rouhani room for manoeuvre and a measure of support in his attempt to finalize negotiations. Despite the President's public criticism of IRGC for accumulating power and engaging in corruption,[8] the Corps supported the agreement of 2 April.[9] The President has still to convince these conservative elements that the outcome will be acceptable in terms of the Islamic Republic of Iran's prestige and future capacity to protect and pursue its peaceful nuclear programme. At this stage, he seems to retain a rather significant popular support from a population tired of sanctions and eager to see the partial lifting of sanctions be transformed into a long-lasting agreement carrying economic benefits.

11. While the Panel is aware of the gist of the negotiations that led to the agreement of 2 April, it is not in a position to speculate or to draw on the parameters, given the discrepancies in the comments made by the parties. Given the requested date of submission of the present report (21 April 2015), no analysis of what might be the elements of a final agreement will be found herein.

B. Nuclear

12. While the Islamic Republic of Iran has fulfilled its requirements under the Joint Plan of Action and, except for two measures, under the Framework for Cooperation, as agreed with the International Atomic Energy Agency (IAEA), it has continued certain nuclear activities, including uranium enrichment and some work at Arak. The Islamic Republic of Iran also took actions implementing its Safeguards Agreement under the Treaty on the Non-Proliferation of Nuclear Weapons.[10] IAEA continued its verification responsibilities and reported to its Board of Governors and to the Security Council.

Joint Plan of Action

13. As provided for in the Joint Plan of Action agreed between the Islamic Republic of Iran and the E3+3, and reported by IAEA,[11] the Islamic Republic of Iran has ceased enriching uranium above 5 per cent U-235, is no longer operating cascades in an interconnected configuration, and has down-blended 20 per cent enriched UF6 to 5 per cent enrichment or converted it to uranium oxide. The Islamic Republic of Iran has no known capability to convert that material back into UF6. An amount of 2,720 kg of 5 per cent UF6 was also converted to uranium oxide. IAEA continued daily access to the Natanz and Fordow enrichment facilities, and regular managed access to centrifuge production and storage activities. Enrichment research and development activities have been conducted under safeguards and without accumulating enriched uranium.

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[8] Arash Karami, "Rouhani criticizes consolidation of power in government", *Al-Monitor*, 9 December 2014.

[9] "IRGC supports nuclear framework deal", *Al-Monitor*, 7 April 2015.

[10] IAEA, "Text of the Agreement between Iran and the Agency for the application of safeguards in connection with the Treaty on the Non-Proliferation of Nuclear Weapons" (INFCIRC/214, 13 December 1974).

[11] IAEA, "Status of Iran's nuclear programme in relation to the Joint Plan of Action" (GOV/INF/2015/8, 20 April 2015).

14. During the reporting period, the Islamic Republic of Iran provided an updated design information questionnaire for the Arak reactor and agreed to a "safeguards approach" for the reactor. No "further advances" have been undertaken at Natanz, the Fordow fuel enrichment plant or the Arak reactor, including no manufacture and testing of fuel for the Arak reactor. Information and managed access have been provided for the declared uranium mining and milling activities.

15. The Islamic Republic of Iran provided, in relation to enhanced monitoring, plans for nuclear facilities and a description of each building at each nuclear site; descriptions of the scale of operations being conducted for each location engaged in specified nuclear activities; and information on uranium mines and mills and on source material.[12]

Framework for Cooperation and possible military dimensions

16. Among the measures agreed between the Islamic Republic of Iran and IAEA, all but two appear to have been completed. Those two "practical measures" concern "possible military dimensions" of past activities. The first relates to allegations of large-scale high explosives experimentation at Parchin. The second relates to studies, reported in scientific publications, regarding neutron transport and associated modelling and calculations and their alleged application to compressed materials. Continuing discussions between IAEA and the Islamic Republic of Iran have yet to resolve either issue.

Safeguards

17. With respect to implementation of safeguards under the Non-Proliferation Treaty in the Islamic Republic of Iran, IAEA reported in February that it "continues to verify the non-diversion of declared nuclear material at the nuclear facilities and locations outside facilities[13] declared by Iran under its safeguards agreement".[14] More specifically, with respect to each declared uranium enrichment facility, the Agency concludes that the facility "has operated as declared by Iran in the relevant design information questionnaire".[15] However, the Agency continues to state that it cannot at this time confirm completeness.[16]

C. Ballistic missiles

Ballistic missile programme

18. During the current mandate, the Islamic Republic of Iran did not report the unveiling or testing of new types of ballistic missiles, nor were tests of known medium-range ballistic missiles identified by the Panel. Iranian officials and media, while usually keen to publicize their achievements in that field, have not been reporting any new ballistic missile developments.

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[12] Ibid.

[13] A technical term. Locations outside facilities are sites that do not meet the IAEA definition of a nuclear facility but possess nuclear material.

[14] IAEA, "Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran" (GOV/2105/15, 19 February 2015, para. 71).

[15] Ibid, para. 38.

[16] Ibid, para. 71.

19. The Islamic Republic of Iran possesses two variants of ballistic missile that, according to experts, are believed to be potentially capable of delivery of nuclear weapons. One, the Ghadr missile, is a variant of liquid-fuel Shahab-3, with a range of approximately 1,600 km. The other is the solid-fuel Sejil missile, with a range of about 2,000 km. Both types were last launched in 2011.[17]

20. The Panel took note of the Great Prophet 9 exercise held from 25 to 27 February 2015 in the Strait of Hormuz. According to media reports, "a number of the IRGC cruise and two ballistic missiles were fired", in particular, "a mobile naval target was destroyed by Fateh-110 and Zelzal missiles on a deserted island 270 km away from the war games zone".[18] The Fateh-110 is a solid-fuel short-range ballistic missile with a range of around 200 km.[19] It is possible that one of the objectives of the exercise was to continue improvement of the accuracy of existing missiles.[20] Medium-range ballistic missiles, such as Shahab-3 modifications, traditionally part of these exercises, were not reported to be involved this time.

21. The Panel also notes recent published photographs[21] of the construction site at the Shahrud launch site discussed in its last final report.[22] On the basis of the photographs, the Panel notes that no significant progress appears to have been made in the ongoing construction at the site (see figure I).

[17] See the Panel's final report of 2011 (paras. 108, 109, 111 and 113).

[18] "Iran's IRGC wraps up first day of major maneuvers in Persian Gulf", *Press-TV*, 25 February 2015; see also "IRGC missiles destroy mock aircraft carrier in Persian Gulf", *Fars News Agency*, 25 February 2015; "Iran to test-fire 20 new missiles in Persian Gulf", *Press-TV*, 25 February 2015; Arask Karami, "IRGC: naval exercise also 'media-psychological' operation", *Al-Monitor*, 2 March 2015; and Franz-Stefan Gady, "In A2/AD showcase, Iranian Navy sinks *Nimitz* carrier mock-up", *The Diplomat*, 28 February 2015.

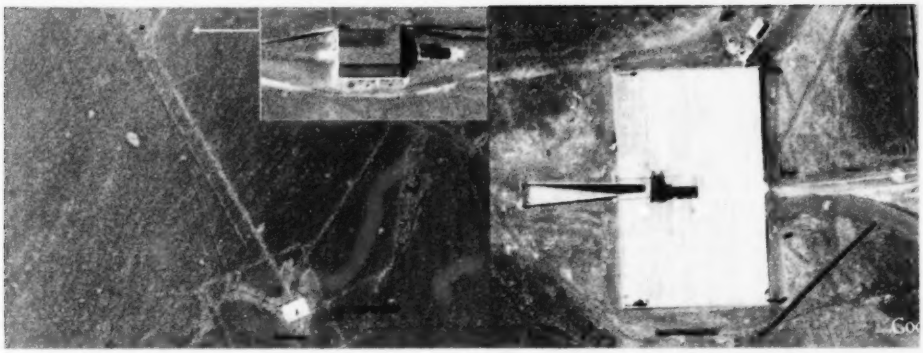
[19] Panel's final report of 2011 (para. 110).

[20] During the past few years, the Islamic Republic of Iran has stated that it was working on raising Fateh-110 missiles' high-precision/accuracy. The Islamic Republic claims that some Fateh-110 modifications already have a range of over 300 km and can accurately hit the targets. See also "Iran test-fires upgraded Fateh-110 missiles", *Jane's Intelligence Weekly*, 6 August 2012.

[21] The site, though announced by the Islamic Republic of Iran and designed for launches of space launch vehicles, does not yet have the storage facility for liquid-fuel missiles that allows analysts to suggest that it could be constructed for launches of solid-fuel missiles. See Norbert Brügge's blog for recent pictures, "Satellite images from Iran's missile launch complex near Shahrud", 13 April 2015, available from http://www.b14643.de/Spacerockets_1/Diverse/Shahrud_Missile-Range/; and, for comparison, see J. S. Bermudez and J. Binnie, "Second Iranian space-launch center revealed", *IHS Jane's Defense Weekly*, 7 August 2013.

[22] S/2014/394, para. 52.

Figure I
Aerial images of the Shahrud launch site



Source: Digital Globe.

Space programme

22. On 9 January 2015, President Rouhani announced that all Iranian space activities were moved from the Office of the Presidency to the Ministry of Communications and Information Technology.[23] This move appears to be aimed at restructuring the space programme with more practical and realistic objectives, in particular regarding satellite launches.[24]

Satellite launch

23. On 2 February 2015, the Islamic Republic of Iran reportedly launched into Earth orbit an experimental satellite Fajr. Its prototype, together with three other satellites, was unveiled on 7 February 2011.[25] This was the first announced successful launch since 2012 (four satellites were launched in 2009, 2011 and 2012,[26] and another two satellite launch attempts in 2012 reportedly failed,[27] followed by several announcements of launches). The satellite was launched from a military base in northern Semnan province seemingly by a two-staged Safir-1B space launch vehicle based on the Shahab-3 ballistic missile (see figure II).[28]

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[23] Arash Karami, "Rouhani moves space program back to ministry", *Al-Monitor*, 5 February 2015.

[24] The Iranian Minister of Communications and Information Technology, Mahmoud Vaezi, announced "the country's plans to widen its home-grown space program to make more applied and national uses of the technology". He announced the end of the first 10-year development plan which "mostly focused on testing" and the beginning of the new second 10-year plan which "will make more tangible uses of the space technology". See "Science Minister: Iran's aerospace industry readying for long jump", *Fars News Agency*, 10 March 2015.

[25] "Safir Data Sheet", *Space Launch Report*. Last updated on 6 February 2015. Available from www.spacelaunchreport.com/safir.html.

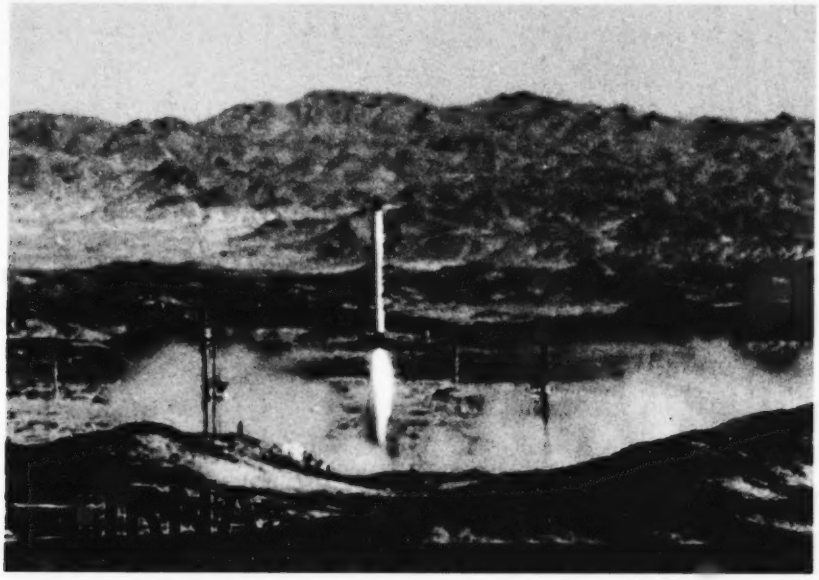
[26] See the Panel's final reports of 2012 (S/2012/395, para. 84) and 2013 (S/2013/331, para. 89).

[27] See S/2013/331, para. 87. See also "For third time in two years Iran fails to launch satellite", *Times of Israel*, 27 April 2013; and "Iran suspected of launch failure in February", *Spaceflight101*, 20 March 2013.

[28] Stephen Clarck, "Iranian satellite successfully placed in orbit", *Spaceflight now*, 2 February 2015. See also the description of Fajr on *Spaceflight101*, last updated in February 2015, available from www.spaceflight101.com/re-entry-february-2015.html.

Figure II

Launch of a Fajr satellite on a Safir-1B space launch vehicle; video captured on 2 February 2015



Source: Arms control; www.armscontrol.org/blog/ArmsControlNow/2015-01-26/Irans-Overdue-ICBM.

24. The Fajr satellite weighs about 50 kg and was designed for collecting imagery. Although it initially entered orbit,[29] doubts about its success were confirmed by the fact that, despite a planned 18 months in orbit, the satellite re-entered Earth atmosphere after 23 days.[30]

25. The details of the flight of the space launch vehicle and technical specifications of the satellite suggest that the launch of the Safir was not, in this case, aimed at, but could contribute to, the development of a ballistic missile capable of delivering nuclear weapons. In this regard, the Panel notes that the details of this case present similarities with the launch of another satellite by a Safir space launch vehicle in 2011, which was reported by Member States, analysed by the Panel and described in its 2012 final report.[31]

[29] The "tracking data from US Air Force Space Surveillance Network indicated an object associated with the launch in an orbit with a perigee of about 139 miles and an apogee of about 450 km (285 miles). Satellite is flying in an orbit tilted at 55.5 degrees to the equator"; quoted from "Iranian satellite successfully placed in orbit", *Spaceflight now*, 2 February 2015.

[30] North American Aerospace Defense Command registration number 40387. See Online satellite and flare tracking (Satflare) at www.n2yo.com/satellite/?s=40387.

[31] S/2012/395, paras. 35-36.

26. The Islamic Republic of Iran announced its plans to launch three other satellites during the period from March 2015 to March 2016 named Zafar, Tolou and Pars "from more powerful launchers and on the back of bigger carriers".[32]

27. The Joint Plan of Action makes no reference to the Islamic Republic of Iran's ballistic missile activities.

D. Transfers of conventional arms and related materiel

28. Unlike every previous mandate, during the current mandate no transfers of conventional arms and related materiel by the Islamic Republic of Iran were reported to the Committee. The Panel however notes media reports pointing to continuing military support and alleged arms transfers to the Syrian Arab Republic,[33] Lebanon,[34] Iraq,[35] and Yemen,[36] and to Hizbullah and Hamas.[37] The Panel further notes that Iranian officials, although not denying military support, do not mention transfers of arms.

29. The discrepancy between media reports of alleged arms transfers and the lack of reporting to the Committee could have a number of explanations, among those some that were observed by the Panel in the past (the Islamic Republic of Iran's use of air, land or sea shipment routes in a way that avoids interdictions by Member States) or reluctance to report on the part of Member States.

Arms transfers to Iraq

30. Shipment of arms was confirmed by the President of the Kurdistan Regional Government, Massoud Barzani, during a joint press conference with the Islamic Republic of Iran's Foreign Minister, Mohammad Javad Zarif, on 26 August 2014. President Barzani said: "We asked for weapons and the Islamic Republic of Iran was the first country to provide us with weapons and ammunition."[38] Mr. Zarif, in a public talk at the New York-based Council of Foreign Relations, said: "We don't have boots on the ground in Iraq. We have advisers in Iraq. We send equipment to Iraq."[39] The Islamic Republic of Iran is reported to continue to supply weapons in support of the Kurdistan Regional Government against the Islamic State in Iraq and the Levant (ISIL).[40]

31. According to a recent media report quoting a United States official, the Islamic Republic of Iran deployed to Iraq weapons "similar to Fajr-5 rockets and Fateh-110

[32] "Science Minister: Iran's aerospace industry readying for long jump", *Fars News Agency*, 10 March 2015.

[33] "Iran boosts military support in Syria to bolster Assad", *Reuters*, 21 February 2014.

[34] "Iran ready to send Lebanon arms to battle terrorists", *The Daily Star*, 21 October 2014.

[35] Michael R. Gordon and Eric Schmitt, "Iran sends 3 attack planes to Iraqi Government", *New York Times*, 8 July 2014.

[36] "Iranian ship unloads 185 tons of weapons for Houthis at Saleef port", *Al Arabiya News*, 20 March 2015.

[37] "IRGC Commander: Syria, Iraq, Palestine, Hezbollah aided by Iran's missile technology", *Fars News Agency*, 2 February 2015.

[38] "Iran boosts military support in Syria to bolster Assad", *Reuters*, 21 February 2014.

[39] "A conversation with Mohammad Javad Zarif", Council on Foreign Relations, 17 September 2014.

[40] "Iran arms exports to Iraq tolerated in fight against Isis says report", *The Guardian*, 17 February 2015.

missiles" but "slightly different and had different names."[41] This information, if confirmed, would indicate that the Islamic Republic of Iran, in order to help in the fight against ISIL, is now moving advanced weaponry to the region (see figure III).

Figure III

Kurdish fighters fire a M40-type 106-mm recoilless gun from an Iranian Safir jeep near Tuz Khurmatu in Iraq on 31 August 2014

Source: Press Association.

Alleged arms transfers to the Syrian Arab Republic

32. The Panel has in previous reports investigated the issue of arms transfers by air from Tehran to Damascus.[42] The Panel found in 2012 that Yas Air was in violation of paragraph 5 of resolution 1747 (2007) "for transporting prohibited arms and related materiel from the Islamic Republic of Iran to the Syrian Arab Republic".[43] As a consequence Yas Air was designated by the Committee.[44] Media reports indicate that the Islamic Republic of Iran continues to transfer arms and related materiel to the Syrian Government.[45] Given the deteriorating security situation in the Syria Arab Republic, there is no possibility of gathering evidence that would confirm or deny these allegations.

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[41] Eric Schmitt, "Iran sent arms to Iraq to fight ISIS, U.S. says", *New York Times*, 16 March 2015.

[42] See S/2013/331, para. 106: "... two States reported that in 2012 the Islamic Republic of Iran used Iran Air and Mahan Air to transport arms from Tehran to Damascus"; and S/2014/394, para. 43: "Several States and some local authorities in Iraq indicated to the Panel that a likely supply route of arms from the Islamic Republic of Iran to the Syrian Arab Republic involves the use of Iraqi territory, primarily by air, but also by land".

[43] See S/2012/395, para. 229.

[44] Listed on 18 April 2012 by a decision of the Committee (IRe.077).

[45] Khaled Atallah, "Israeli strikes on Syria hit Iranian weapons destined for Hezbollah", *Al-Monitor*, 9 December 2014; "Fighting ISIL is a smokescreen for US against Syria, Iran", *Global Research*, 26 September 2014.

Arms offered by the Islamic Republic of Iran to Lebanon

33. According to media reports, in October 2014 the Islamic Republic of Iran offered to send arms and related materiel to the Lebanese army in support of the fight against terrorism.[46]

34. Lebanese authorities, when contacted by the Panel, confirmed the offer.[47] They indicated that the Islamic Republic of Iran was awaiting the consent of the Government of Lebanon, which sought the view of the Panel. The Panel informed the Lebanese authorities that in its opinion any such transfer would be prohibited under paragraph 5 of resolution 1747 (2007) and suggested that this matter be brought to the attention of the Committee.

35. The Panel assesses this "attempt"[48] as a case of non-compliance by the Islamic Republic of Iran as stated in paragraph 3 of the Fact Sheet of the Committee.[49] At the time of writing, the Panel has no information as to an actual delivery taking place. At this stage, the Panel notes that Lebanon followed best practices in seeking an informal view as to whether the proposed Iranian donation would be prohibited under Security Council resolutions.

Arms shipments to Yemen[50]

36. The Panel, in its final report of 2013,[51] described an investigation into arms found on board the vessel *Jihan* by Yemeni and United States authorities on 23 January 2013 that was reported separately to the Committee. The Panel has continued analysis of information received in connection with that case. This suggests that the *Jihan* case follows a pattern of arms shipments to Yemen by sea which can be traced back to at least 2009. The analysis further suggests that the Islamic Republic of Iran was the origin of these shipments, and that the intended recipients were the Houthis in Yemen or possibly in some cases further recipients in neighbouring countries. It also shows that current Iranian military support to Houthis in Yemen is consistent with patterns of arms transfers going back more than five years.[52] Details of cases are contained in annex I.

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[46] "Iran vows to help Lebanon in war on terrorism", *Fars News Agency*, 1 October 2014; "Daily lists details of Iran's arms aid to Lebanon", *Fars News Agency*, 11 October 2014; and "Iran reiterates full support for Lebanon in fight against terrorism", *Fars News Agency*, 5 January 2015.

[47] Letter from the Permanent Mission of Lebanon to the United Nations dated 23 October 2014 addressed to the Panel of Experts and containing the list of arms.

[48] *One expert notes that insufficient information on the terms of the "offer" does not, in that expert's opinion, allow one to confirm that the reported event constitutes an "attempt" of arms transfer.*

[49] "Sanctions violations may occur when activities or transactions proscribed by the resolutions are undertaken or attempts are made to engage in proscribed transactions or activities, whether or not the transaction or activity has been completed."

[50] The Panel notes that the Security Council imposed an arms embargo on Houthis in Yemen in resolution 2216 (2015) adopted on 14 April 2015.

[51] S/2013/331.

[52] Yara Bayoumy and Mohamed Ghobari, "Iranian support seen crucial for Yemen's Houthis", *Reuters*, 15 December 2014; and "Yemen crisis: Kerry warns Iran over Houthi rebel support", *BBC News*, 9 April 2015.

II. Analysis of the activities of the Islamic Republic of Iran

A. Procurement

1. Recent trends

37. During the current mandate, the Committee and the Panel have not received any new reports of incidents of non-compliance from Member States. The Panel has not been made aware of any procurement cases relating to the current mandate period. A decrease in official reporting and information-sharing on potential incidents of non-compliance was already identified by the Panel in its final report of 2014.

38. The Panel cannot with confidence identify the reasons for the observed drastic reduction in reporting and information-sharing. The current situation with reporting could reflect a general reduction of procurement activities by the Iranian side or a political decision by some Member States to refrain from reporting to avoid any possible negative impact on ongoing negotiations between the Islamic Republic of Iran and E3+3.

39. However, some Member States informed the Panel that, according to their assessment, the Islamic Republic of Iran's procurement trends and circumvention technique remain basically unchanged and that the Islamic Republic of Iran was continuing to procure below control threshold items. No information was shared with the Panel to substantiate such assessments. The situation could be explained in part by the latency of the Islamic Republic of Iran's procurement networks.

40. In this regard, a Member State informed the Panel that:

> "An Iranian procurer approached a company in January 2015 to supply Howden CKD compressors. The stated end user was suspected to be a false end user for the goods, which were in fact to be exported to Iran. The procurer and transport company involved in the deal had provided false documentation in order to hide the origins, movement and destination of the consignment with the intention of bypassing export controls and sanctions, specifically United Nations Security Council resolution 1737 (2006) paragraph 4.c."[53]

41. The Government of the United Kingdom of Great Britain and Northern Ireland informed the Panel on 20 April 2015 that it "is aware of an active Iranian nuclear procurement network which has been associated with Iran's Centrifuge Technology Company (TESA) and Kalay Electric Company (KEC)." The Panel notes that KEC is designated under Security Council resolution 1737 (2006).[54]

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[53] Following a media report ("Exclusive: Czechs stopped potential nuclear tech purchase by Iran: sources", *Reuters*, 13 May 2015), the Panel was made aware by the United Nations Secretariat of a letter sent by Colfax Corporation to the Secretariat stating that "neither Howden CKD nor any of its agents have been able to find any record of a request or associated response to a request to supply the referenced compressors. The company has strict sanctions procedures in place that would have been triggered if a request to provide such products to Iran had been received." The Panel is continuing its investigation.

[54] Listed on 23 December 2006 in section A of the annex to resolution 1737 (2006) (IRe.032) under the name "Kala-Electric", a.k.a. "Kalaye Electric", "Kalay Electric Company (KEC)", as referred in the United Kingdom letter is identical to "Kala-Electric or Kalaye Electric".

42. Given the late communications, the Panel could not independently investigate the information referred to in paragraphs 40 and 41.

2. Cases of procurement

Frequency converter

43. According to information received by the Panel, a Finnish manufacturer agreed in 2011 to sell a frequency converter to an engineering company in Pakistan, for which no export licence was required under Finnish law. The Pakistani freight forwarder handling the shipment subsequently requested that the consignee on the airway bill be changed to Farayand Pas Company in Tehran. The Finnish freight forwarder did so, making sure that the manufacturer was not alerted, but the air carrier refused to handle it on the basis that the harmonized standard code flagged the United Nations list of prohibited items.

44. The freight forwarders then decided to ship the consignment to a trading company in Dubai, United Arab Emirates. Dubai customs authorities impounded the shipment because of inconsistent documentation. Then the Pakistani engineering company asked for a new commercial invoice naming the Dubai trading company as the buyer, but the Finnish manufacturer refused.[55]

Procurement for Shahid Bagheri Industrial Group

45. According to information provided by German authorities, in 2012 and 2013 several attempts were made by a German citizen with an Iranian background (Dr. B) to procure items for Shahid Bagheri Industrial Group (SBIG), a Security Council-designated entity[56] responsible for the Islamic Republic of Iran's solid-fuel missiles. The items were non-listed and dual-use, and included polystyrene, vacuum pumps, butterfly valves, pressure reducers, flame detectors and magnetic valves.

46. The items were procured in Germany or in third countries through Dr. B's company and exported to a second company he owned in the United Arab Emirates. From there, the items were re-exported to a SBIG front company in the Islamic Republic of Iran which used successive different names (Pooya Commercial & Engineering Co., Tehran, Kimia Trading Co. Tehran). German authorities also identified six additional front companies. "All of the named front companies acted exclusively on behalf of SBIG. There was no other business segment. Delivering items to SBIG is prohibited since the end of 2006. As a result, all procurement activities of SBIG by using front companies were illicit."[57] (See annex II.)

47. German officials confirmed to the Panel that they had acted in conformity with paragraph 13 of resolution 1929 (2010) determining that the procured dual-use items "could contribute to enrichment-related, reprocessing or heavy water-related activities or to the development of nuclear weapons delivery systems" because their end user was a designated entity. The case is awaiting the results of an appeal by the defendant, and has yet to be reported to the Committee.

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[55] None of the parties involved was convicted.

[56] Listed on 23 December 2006 in section B of the annex to resolution 1737 (2006) (IRe.066).

[57] Information provided by German authorities.

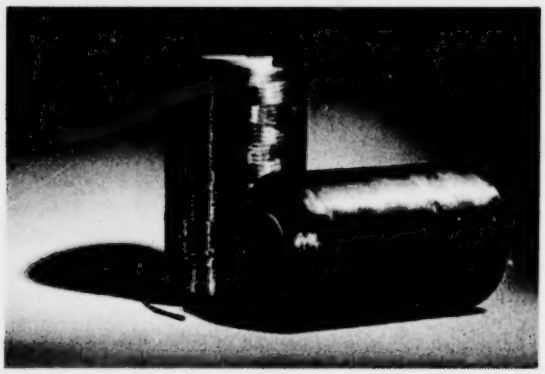
Carbon fibre and a carbon fibre winding machine

48. Information was provided by one Member State during the current mandate on two shipments of Nuclear Suppliers Group-controlled carbon fibre (see figure IV) to the Islamic Republic of Iran and an attempted procurement of a carbon fibre winding machine, another item listed by Security Council resolutions relating to the Islamic Republic of Iran.

49. According to the indictment,[58] Hamid Reza Hashemi, an American national who operated a company in Tehran, illegally shipped listed high-grade carbon fibre to the Islamic Republic of Iran (see the technical analysis of the carbon fibre in annex III). In 2008, under the false end use of compressed natural gas tank production, Hashemi arranged for a supplier to export a shipment of carbon fibre, valued at $28,170, from the United States to the Islamic Republic of Iran via Luxembourg and Dubai. The arrival of the shipment in the Islamic Republic of Iran was confirmed by one of Hashemi's intermediaries based in Turkey.

50. In June 2008, another shipment of 3,095 kg of the same carbon fibre was arranged by Hashemi to be transported from the United States to the Islamic Republic of Iran via the United Kingdom and Dubai. United States authorities stated in court that British authorities intercepted the shipment in 2009.[59] At no point had the supplier, Hashemi, or anyone else involved, obtained an authorization from relevant governments.[60]

Figure IV
HexTow® IM7-12K carbon fibre



Source: Hexcel Corp. website, www.hexcel.com/Products/CF_ContFibers.

51. In June 2011, Hashemi sought to purchase from one supplier in the United States a carbon fibre winding machine, a dual-use item that, depending on its specification, could be controlled. The Panel possesses no information on the

[58] United States District Court for the Southern District of New York, *The United States of America vs. Hamid Reza Hashemi and Murat Taskiran*. Case Number 7:12-cr-00804. Filed on 5 December 2012.

[59] Ibid.

[60] *Summary of Major U.S. Export Enforcement, Economic Espionage, Trade Secret And Embargo-Related Criminal Cases (January 2008 to the present)*, United States Department of Justice, 23 January 2015, page 21. Another case study on gyroscopes can be found in annex IV.

specifications of this winding machine. In December 2012, Hashemi travelled to the United States where he was arrested and, in November 2013, convicted.

Aluminium tubes sent to the Islamic Republic of Iran

52. The Panel received copies of shipping documentation from a Member State relating to two shipments of aluminium sent to the Islamic Republic of Iran on 3 and 23 July 2012 by a consignor (NBH Industries SDN BHD, Level 20 Menara Standard Chartered Bank, Kuala Lumpur) to an Iranian consignee (Automotive Industries Gohar Yaghot Neshan, of Khoramabad, Islamic Republic of Iran[61]). Pending additional information on those shipments and their interdictions, the Panel's investigation continues.

53. The Panel's analysis revealed that the same consignor, at the same address, was identified as a front company in court documents supporting an indictment issued by United States authorities[62] in connection with an attempt in 2011 to export aluminium alloy 7075 tubing[63] to Malaysia. This type of aluminium is of potential use in the Islamic Republic of Iran's centrifuge programme.[64] The shipping documents received by the Panel indicate that the consignor was active in 2012, procuring aluminium for the Islamic Republic of Iran.

Constant speed drive and pressure sensor

54. According to a United States Department of Justice press release dated 15 May 2014,[65] two spare parts for fighter aircraft were intended to be shipped to the Islamic Republic of Iran, via Greece, between December 2012 and March 2013. The items involved were "spare parts for combat aircraft", which are covered by paragraph 8 of Security Council resolution 1929 (2010).

55. During the Panel's consultations with Greece in March 2014, officials from enforcement agencies confirmed that the items arrived from Israel. Inspection by Greek Air Force technical experts identified them as a constant speed drive[66]

[61] The information regarding the consignee contained in the shipping documentation was inconsistent with that available in the public domain.

[62] United States Attorney's Office, Northern District of Illinois, "Belgian man charged with attempting to illegally export aluminium tubes to Malaysian front for individual in Iran", press release, 30 October 2013; United States District Court Northern District of Illinois, Eastern Division, *United States of America v. Nicholas Kaiga*, Case No. 13 CR.531, 26 June 2013.

[63] A controlled item under Security Council resolutions relating to the Islamic Republic of Iran, on the basis of the diameter of the tubes and their composition.

[64] Daniel Salisbury and Ian J. Stewart, "Nicholas Kaiga's efforts to supply aluminium tubes to Iran", *Project Alpha*, King's College London, 17 July 2014; see also David Albright and Andrea Stricker, "US busts Iranian smuggling scheme involving a nuclear-related good", *ISIS Report*, 31 January 2014.

[65] "Citizen of Israel charged with violating U.S. arms export laws", United States Department of Justice, 15 May 2014.

[66] Product number 695145G.

specially designed for the F-4C Phantom fighter jet and a sensor outline, absolute pressure,[67] for the F-14 Tomcat fighter jet.[68]

56. Following investigations, Greek authorities decided that the case should be dealt with by the judiciary. A local court ordered the spare parts to be confiscated and returned to the State of origin.

B. Financing procurement

57. The Panel has received no report regarding violations of Security Council financial sanctions. However, the Panel continued to receive information from Member States and the private sector about methods used by the Islamic Republic of Iran to carry out financial transactions. Some of these methods were used in a way that concealed the connection to the Islamic Republic of Iran. Some were described previously[69] and additional mechanisms are described in annex V. They could be used for legitimate trade, the financing of which has become even more difficult, as well as for illicit procurement. The Panel has received no evidence of specific cases in which any of these mechanisms were used to finance the procurement of items prohibited under Security Council resolutions.

Transfers through companies outside the Islamic Republic of Iran

58. The Panel previously described mechanisms which might be used for financing both legitimate trade and illicit procurement involving a triangular arrangement of companies inside and outside the Islamic Republic of Iran.[70] They are illustrated in general terms in figure V. A variant of this mechanism was described by one Member State: A local company needed to pay for services provided by an Iranian entity, but was unable to do so because the entity was designated under national legislation. Instead, the local company made offset payments to domestic manufacturers for spare parts they had previously supplied to the Iranian entity (see figure VI).

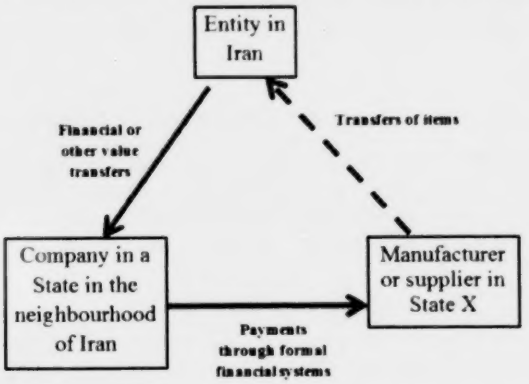
[67] Product number 949470-6-1.

[68] The Islamic Republic of Iran Air Force owns up to nineteen F-14s in service, which it imported approximately in 1976. The Panel notes that, as of 2012, the F-14 Tomcat fighter aircraft was only in service with the Islamic Republic of Iran Air Force. See paragraph 10 of the superseding indictment, which is available from www.iranwatch.org/sites/default/files/us-doj-cohen-superseding-indictment-050813.pdf.

[69] See S/2014/394, para. 71.

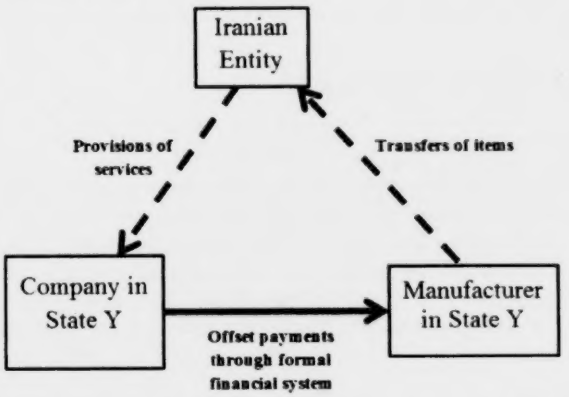
[70] Media reports describe general trading companies set up for this purpose. See for example Benoit Faucon, Jay Solomon and Farnaz Fassihi, "As sanctions bite, Iranians invest big in Georgia", *Wall Street Journal*, 20 June 2013; and Emanuele Ottolenghi, "How Iran is skirting sanctions in the southern Caucasus", *The National Interest*, 15 December 2014.

Figure V
Illustration of possible methods used by Iranian entities to finance procurement*


Entity in Iran
Financial or other value transfers
Transfers of items
Company in a State in the neighbourhood of Iran
Manufacturer or supplier in State X
Payments through formal financial systems

* These methods could be used for both legitimate procurement and for procurement prohibited under Security Council resolutions relating to the Islamic Republic of Iran.

Figure VI
Illustration of a variant of figure VI*



* In exchange for services received from an Iranian entity, a company abroad makes payments to a manufacturer for goods it supplied to that Iranian entity.

Transfers through banks and financial institutions outside the Islamic Republic of Iran

59. One Member State reported that the Islamic Republic of Iran was carrying out financial transactions connected with procurement through non-sanctioned banks and that some related financial transactions, formerly carried out through banks in the United Arab Emirates, were also being conducted through banks in the South Caucasus, Central Asia and South-East Asia. According to another Member State,[71] Iranian businessmen acquired majority shares in one of those banks in 2011, which

[71] "Treasury targets networks linked to Iran", United States Department of the Treasury, press release, 6 February 2014.

was then used to facilitate transactions through several Iranian banks including Bank Melli and Bank Saderat.[72] Media reports also describe companies set up abroad by Iranian businessmen to offer financial services, such as pre-paid cards,[73] the role of which in money-laundering has been underlined by the Financial Action Task Force.

Overseas accounts of the Central Bank of the Islamic Republic of Iran

60. Some States that import oil or other energy products from the Islamic Republic of Iran authorized banks in their jurisdictions to receive payments into accounts belonging to the Central Bank of the Islamic Republic of Iran. These accounts, in local currencies, are intended for use in transacting legitimate business within the State concerned.

61. The Panel previously highlighted a case of misappropriation of such funds. Recent media reports suggest another possible misuse of such funds held by another Member State. Several Iranians holding student visas set up eight separate shell companies in the State concerned in 2013 and 2014 in order to access at least $150 million of oil export revenues in accounts held by the Central Bank of the Islamic Republic of Iran at a State-owned bank.[74] The funds were reportedly paid out against invoices for exports of goods to the Islamic Republic of Iran, although the goods were never exported. The central bank of the State concerned subsequently issued a notice advising banks that, when they provide advances to companies for exports, they check that the exports actually take place.[75]

C. Designated entities/individuals

Updating positions or functions of designated individuals

62. The Panel continued to study the activities of designated individuals. Many of them have changed their positions or functions referred to in the relevant resolutions. The Panel's final report of 2014 provided new information regarding designated entities and individuals. The information was reflected in the updated 1737 (2006) sanctions list published by the Committee. Since then, the Panel continued to research and acquired additional information which contributed to the Consolidated Security Council Sanctions List.

63. The following table, based on open-source information, provides updates on known positions of designated individuals and their activities. The changes of positions described in previous final reports (S/2014/394, S/2013/331 and S/2012/395) are not shown in this table.

[72] See paragraph 10 of resolution 1803 (2008), in which States are called upon to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in the Islamic Republic of Iran, in particular with Bank Melli and Bank Saderat.

[73] Emanuele Ottolenghi, "Prepaid cards may be Iran's latest sanctions busting tactic", *Forbes*, 3 June 2014.

[74] Nidhi Verma and Devidutta Tripathy, "RBI tightens compliance after suspected Iran export scam", *Reuters*, 10 February 2015.

[75] "Delay in utilization of advance received for exports", *RBI Notice 74*, 9 February 2015.

Identifier number	*Designated individual*	*Position described in the list*	*Most recent known position*
IRi.001	Fereidoun Abbasi-Davani	Senior Ministry of Defence and Armed Forces Logistics Scientist	Head of the Atomic Energy Organisation of Iran from 2011 to 2013[a]
IRi.004	Ali Akbar Ahmadian	Chief of IRGC Joint Staff	Head of the IRGC Strategic Studies Centre in September 2007[b]
IRi.009	Bahmanyar Morteza Bahmanyar	Head of Finance and Budget Department, Aerospace Industries Organization	Chief financial officer of IRGC Cooperative Foundation[c]
IRi.011	Morteza Behzad	Involved in making centrifuge components	Managing Director and Deputy Chairman of the Board of Directors of the Iran Enrichment Company[d]
IRi.012	Ahmad Vahid Dastjerdi	Head of the Aerospace Industries Organization	Chairman of the Presiding Board of the Oil Pension Funds[e]
IRi.027	Mohammad Mehdi Nejad Nouri	Rector of Malek Ashtar University of Defence Technology	Deputy Minister of Science, Research and Technology[f]
IRi.033	Morteza Rezaie	Deputy Commander of IRGC	Chairman of IRGC Cooperative Foundation[d]
IRi.035	Morteza Safari	Commander of IRGC Navy	President/Chancellor of Imam Hossein University[g]
IRi.037	Seyed Jaber Safdari	Manager of the Natanz enrichment facilities	Head of the Department of Advanced Technologies and Deputy for Advanced Technologies at Novin Energy Company[d]
IRi.043	Mohammad Baqer Zolqadr	IRGC officer, Deputy Interior Minister for Security Affairs	Deputy Judiciary Chief for Strategic Affairs and Director of the intelligence centre of the Judiciary[h]

[a] Steven Ditto, "Iranian suspicions about the IAEA", *Policywatch* 2227, Washington Institute, 21 March 2014.

[b] Muhammad Sahimi, "The IRGC strategic brain trust, Part 2: Ahmadian, Hejazi, and Jafari", *Frontline*, Public Broadcasting Service, 11 August 2012.

[c] Emanuele Ottolenghi and Saeed Ghasseminejad, "If the US wants a nuclear deal, it needs to fully enforce its sanctions against Iran's Revolutionary Guards", *Business Insider*, 19 September 2014.

[d] "Increasing sanctions against Iranian nuclear proliferation networks joint Treasury and State Department actions target Iran's nuclear enrichment and proliferation program", United States Department of State, press statement, 13 December 2012.

[e] "Head of Iran's Oil Pension Fund Investment Co. appointed", *Business & Economy Digest*, 11 March 2012.

[f] "Iran's interest on aircraft technology cooperation", Indonesian science and technology portal (State Ministry of Research and Technology), 8 August 2013. Available from http://international.ristek.go.id/news/detail/view/133-iran---s-interest-on-aircraft-technology-cooperation.

[g] Iran Briefing, 23 January 2012. See also "Iran manufactures first home-made VTOL drone", *Fars News Agency*, 3 March 2015. Imam Hossein University is funded and operated by IRGC (see "Imam Hussein University of the Revolutionary Guards", *Iran Watch*, last updated on 1 April 2013).

[h] "Judiciary Chief makes new appointments: Deputy for Strategic Affairs and Director of the Intelligence Center of the Judiciary", *Iran Daily Brief*, 18 May 2012.

Travel ban

64. The Panel observed, during the current mandate, several examples of effective implementation of the travel ban. One Member State applied to the Committee for exemption from the application of the travel ban, and another Member State informed the Panel about the denial of entry of a designated individual. However, there are a number of media reports on the movement of a designated individual in the Middle East region.

65. A Member State informed the Committee that Hamid-Reza Mohajerani, designated under resolution 1803 (2008)[76] for the involvement in production management at the uranium conversion facility at Esfahan, requested a visa to attend a conference organized by an international organization in its territory. A request for exemption was submitted to the Committee and consequently his travel was permitted.

66. Another State informed the Panel that Yahya Rahim Safavi, senior military aide to the Supreme Leader and former Commander of IRGC, designated under resolution 1737 (2006),[77] sought entry for educational purposes. This was denied by the State on the basis of paragraph 10 of resolution 1929 (2010).

67. Although no Member State reported a travel ban violation, a number of media reports with photographs and videos indicated that Qasem Soleimani, Commander of the Quds force and designated under resolution 1747 (2007),

[76] isted on 3 March 2008 in annex I to resolution 1803 (2008) (IRi.023).

[77] isted on 23 December 2006 in section E of the annex to resolution 1737 (2006) (IRi.036).

[78] has travelled to many countries of the region, notably Iraq,[79] the Syrian Arab Republic and Lebanon (see figure VII).[80] He was reportedly organizing and training militia and regular forces in those countries. He was reported to visit Lebanon for a meeting with the Secretary General of Hizbullah, Seyyed Hassan Nasrallah (see figure VIII).[81] He was also shown on the front page of Newsweek as a commander fighting against ISIL in Iraq.[82]

[78] Listed on 24 March 2007 in annex I to resolution 1747 (2007) (IRi.039).

[79] "Iran general in Iraq 'whenever we need': militia chief", *The Daily Star*, 22 March 2015.

[80] Amir Ali Hajizadeh, Commander of the IRGC Aerospace Force, confirmed the role of General Soleimani in the Kurdish region in Iraq. See "Iranian commander confirms Quds Force chief was in Iraq: TV", *Reuters*, 24 September 2014. It has been said that he led the combat to retake Iraqi cities occupied by ISIL such as Karbala, Jurf al-Sakhar, Amerli, Jalula, Saadia and Tikrit.

[81] "Iran's General Soleimani met with Nasrallah after Quneitra attack: report", *Tasnim News Agency*, 30 January 2015.

[82] Janine Di Giovanni, "Nemesis: the shadowy Iranian training Shia militias in Iraq", *Newsweek*, 27 November 2014.

Figure VII

Soleimani reported at the front line of the operation to retake Tal Ksaiba, near Tikrit in Iraq

Source: *Reuters*.

Figure VIII

Soleimani reportedly visiting in Lebanon the tomb of Hezbollah Commander, Jihad Mughniyah, who was killed on the Golan Heights

Source: Jean Aziz, "What was behind Qasem Soleimani's visit to Lebanon?", *Al-Monitor*, 3 February 2015.

Designated entities

68. Khatam al-Anbiya Construction Headquarters (KAA), wholly owned by IRGC and designated under Security Council resolution 1929 (2010)[83] for involvement in large-scale civil and military construction projects and other engineering activities, including the construction of the uranium enrichment site at Qom/Fordow by its subsidiaries, has expanded its activities during this mandate period.[84] The Majlis (Parliament) approved the Rouhani government budget request to allocate to KAA a budget of $3.7 billion for Persian Year 1394 (21 March 2015 to 19 March 2016). This amount is twice as much as the previous year's,[85] exceeds the budget for IRGC ($2.7 billion), and almost equals the budget for the Ministry of Defence and regular forces.[86]

Irano Hind Shipping Company

69. The Irano Hind Shipping Company (IHSC), designated under Security Council resolution 1929 (2010)[87] as an entity owned, controlled or acting on behalf of the Islamic Republic of Iran Shipping Lines (IRISL), has remained active since the designation without its assets apparently being frozen. As seen in annex VI, two oil tankers, the *Amin 2* and the *Tour 2*, are actively transporting crude oil to the Syrian Arab Republic, particularly after September 2014. Other vessels owned by IHSC, *Sattar*, *Attar* and *Teen*, were inactive during the mandate period.

70. The financial situation of IHSC has deteriorated. A bank, which provided loans to IHSC prior to its designation, and has been the nominal owner of several IHSC vessels, including the bulk carrier vessel *Sinin*, since 2006, demanded that IHSC repay its loan. The *Sinin* was auctioned off in October 2014 by Chinese authorities.[88] The *Sinin* is now called the *Miami Pride*. Its current registered owner is Matrix Treasure International Limited, registered in the British Virgin Islands, and the beneficial owner is unknown. The Panel notes that such renaming and re-registering of the vessel *Sinin* would qualify for reporting under paragraph 20 of Security Council resolution 1929 (2010).

Economic activities involving designated individuals

71. It is well-known that IRGC is a complex amalgam of military, political and economic forces and has large financial resources that influence the Islamic Republic of Iran's economy. Financial wings of IRGC, IRGC Cooperative Foundation (Bonyad-e Taavon-e Sepah) and the Mostazafan Foundation (Bonyad-e Mostazafan), are actively pursuing investments in a variety of sectors. The Mostazafan Foundation invests in diverse businesses from agriculture to service sector. Together with the Mostazafan Foundation, IRGC financial wings control 43 companies through public

[83] Listed on 9 June 2010 in annex II to resolution 1929 (2010) (IRe.036).

[84] "IRGC construction projects continue while private sector lags", *Al-Monitor*, 30 October 2014.

[85] Kambiz Foroohar, "Rouhani to raise Iran's Revolutionary Guards budget by 50%", *Bloomberg*, 8 December 2014.

[86] "The Joint Chiefs of Staff, the Army's current budget was reduced by 36%", *Tasnim News Agency*, 8 December 2014 (17 Azar 1393; original in Farsi), translated in "Defense expenditures in Iran's 1394 budget", *The Arkenstone*, 8 December 2014.

[87] Listed on 9 June 2010 in annex III to resolution 1929 (2010) (IRe.028).

[88] "Weekly market report", *WeberSeas* (Hellas) S.A., 17 October 2014.

trading on the Tehran Stock Exchange, and 218 small and medium-sized companies with 1,073 managers with IRGC affiliation.[89]

72. The IRGC Cooperative Foundation is led by Morteza Rezaie, former Deputy Commander of IRGC and designated under Security Council resolution 1747 (2007),[90] as Chairman. This fact indicates that the Foundation is controlled by the above designated individual. Morteza Bahmanyar, designated under Security Council resolution 1737 (2006)[91] for his former position in the Aerospace Industries Organization, is now the Foundation's chief financial officer.[92] This could mean that this individual may participate in the control of the Foundation.[93] The Panel notes that it has no information to confirm that these two foundations have a role in procurement activities prohibited by relevant Security Council resolutions.

III. Implementation by Member States

Control lists

73. The Panel notes that since the Committee updated the control lists as identified in paragraph 13 of resolution 1929 (2010) in March 2013, the lists have been further modified by relevant multilateral export control regimes.[94]

Customs

74. The Panel notes increasing cooperation between different authorities involved in export control not only at the national but also the international level, making use of such forums as the World Customs Organization (WCO), the World Trade Organization (WTO), multilateral export control regimes, INTERPOL etc.

75. States continue to internationally standardize and harmonize existing procedures for customs clearance and control and further improve them. In this regard, the Panel notes that the WCO has further improved the Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). Almost all States visited by the Panel for consultations had introduced the SAFE-recommended risk management and pre-arrival systems that would allow easier identification of potential illegitimate transfer of goods.

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[89] "Increasing sanctions against Iranian nuclear proliferation networks joint Treasury and State Department actions target Iran's nuclear enrichment and proliferation program", United States Department of State, press statement, 13 December 2012.

[90] Listed on 24 March 2007 in annex I to resolution 1747 (2007) (IRi.033).

[91] Listed on 23 December 2006 in section D of the annex to resolution 1737 (2006) (IRi.009).

[92] It is noted that it is not unusual for IRGC high-ranking officials to move from a position in its military wing to IRGC civilian structures and vice versa.

[93] The term "controlled by ... designated individuals or entities" in paragraph 11 of resolution 1929 (2010) is not clearly defined. In this regard, the Panel refrains from making affirmative judgement on whether Morteza Bahmanyar is in control of the Foundation.

[94] See INFCIRC/254/Rev.11/Part 1, INFCIRC/254/Rev.8/Part 2 and S/2012/947.

76. In October 2014, WCO issued the Strategic Trade Control Enforcement guide on identification of sensitive/strategic goods.[95] In order to facilitate implementation of the guidelines, WCO is assisting Member States in capacity-building related to enforcement of strategic trade controls, in particular technical identification of dual-use items.

77. In addition, States further strengthen the control of trafficking of critical strategic goods by international joint customs operations. To that end, common risk assessment parameters are being developed and information-sharing through the WCO customs enforcement network is being enhanced.

78. The existing dichotomy of two major tasks (facilitation of trade and control of trade) faced by licensing authorities and customs has increased. Initiatives such as that of WTO on 27 November 2014 amending the Trade Facilitation Agreement require speeding-up of all customs clearance procedures. This adds to existing pressure on enforcement agencies when implementing export control, in particular sanctions.

79. Another practical challenge derives from the fact that the items on control lists do not easily correspond to customs tariff categories. National customs are based on the international harmonized system; many individual codes include both controlled and uncontrolled items. These codes may be used in risk assessment as risk indicators and can lead to false alarms. WCO decided to enlarge the code to provide more detailed subcategories of items; the risks identification processes will become more targeted and less time-consuming.

Delivery term ex works

80. Ex works (EXW)[96] is one of the 11 delivery terms defined in the International Commercial Terms[97] published by the International Chamber of Commerce. Under EXW, it is the buyer located in a foreign country, rather than the seller in the exporting country, who is responsible for clearing the goods through export control procedures.[98]

81. The challenge presented to export control by the EXW clause is that it transmits the responsibility to clear export control from the seller to the buyer, thus

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[95] The Strategic Trade Control Enforcement guide is aimed at securing and facilitating trade control enforcement consistent with the principles of the SAFE Framework of Standards; it assists in particular in identifying potential high-risk consignments and guides with a twofold approach both senior management level and operational officers. The guide assists Member States to meet their obligations under the international legal framework and regimes, under embargoes and sanctions (explicitly referring to sanctions against the Islamic Republic of Iran), and Security Council resolution 1540 (2004).

[96] See S/2013/331, para. 118.

[97] The International Commercial Terms are a series of pre-defined commercial terms published by the International Chamber of Commerce with a periodical review. Its latest version, Incoterms 2010, was published on 27 September 2010 and entered into force on 1 January 2011 (see the 11 terms in annex VII).

[98] Under the delivery term EXW (name place), the seller makes the goods available at the named place, usually the seller's premises; the buyer arranges the pickup of the freight from the named place, owns the in-transit freight, and is responsible for clearing the goods through export control procedures where such clearance is applicable, and other necessary export formalities. EXW is, among the 11 international commercial terms, the only term under which the buyer takes the responsibility to clear the export control procedures if such clearance is applicable.

creating an opportunity for the buyer to circumvent export control mechanisms. As illustrated in paragraphs 43 and 44 of this report, the buyer's freight forwarder can alter the true destination of the procured items on the airway bill without any obligation to notify the seller. Items can be shipped out of the exporting country in violation of controls.

82. In order to prevent circumvention, Member States could consider alerting their customs authorities to exercise additional vigilance in case of export transactions following use of the EXW clause. The Panel notes that the proliferation risk could be substantially increased when the manufacturers/sellers of sensitive items enter into international sales contracts with an EXW clause, if compared with other terms defined by the International Chamber of Commerce.

Maritime transportation compliance

83. Key elements of an effective compliance programme for entities working in the maritime transportation sector have been published as a Security Council document.[99]

Post-shipment control

84. The Panel notes that the Islamic Republic of Iran continues to demonstrate special interest in high-grade machine tools which could contribute to nuclear and missile activities as well as wider industrial applications. Member States continue to strengthen post-shipment control. During the consultation with Japan, the Panel was informed of the Relocation Machine Security system, which uses sensors to detect relocation of machine tools from the certified end-use location. In case of relocation, the Relocation Machine Security system requires a one-time password for restarting operation.[100]

Challenges when implementing financial provisions

85. During the current mandate, the Panel continued to analyse the implementation by Member States of financial provisions of Security Council sanctions relating to the Islamic Republic of Iran. These provisions continue to be among the most challenging for Member States to implement. Nevertheless, the Panel notes that the fourth round of evaluations by the Financial Action Task Force incorporates Recommendation No. 7 on financing of proliferation,[101] relating to Security Council targeted financial sanctions. This process enhances the Panel's

[99] See S/2015/28.

[100] The system was introduced by one Japanese company in 2006, at its own initiative. In October 2010, the Japanese Ministry of Economy, Trade and Industry issued a regulation that recommends all Japanese manufacturers of machine tools to equip themselves with the Relocation Machine Security system.

[101] Recommendation No. 7 of the current Recommendations of the Financial Action Task Force, published in February 2012, states that countries should implement targeted financial sanctions to comply with Security Council resolutions relating to the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing. Those resolutions require countries to freeze without delay the funds or other assets of, and to ensure that no funds and other assets are made available, directly or indirectly, to or for the benefit of, any person or entity designated by, or under the authority of, the Security Council under Chapter VII of the Charter of the United Nations. Fourth-round evaluations have been carried out to date of Spain, Norway, Belgium and Australia.

understanding of how Member States implement Security Council financial sanctions and the challenges they face.

Intangible technology transfer

86. The Committee considered several requests from Member States and multilateral organizations for guidance regarding provision to the Islamic Republic of Iran of technical assistance or training. The Panel, in its consultation with Member States, has observed the growing awareness of the issues relating to transfer of intangible technology, including the issuance of new guidelines.[102]

IV. Activities of the Panel

A. Inspections

87. During the current mandate, which coincides with the Joint Plan of Action, and in the absence of any new official report on current incidents of non-compliance, the Panel did not carry out any inspections. It has nonetheless continued its activity of investigating, gathering information and analysing circumvention patterns. In this activity it has received support from Member States that have provided additional information.

B. Consultations

88. The Panel's activities have been carried out in conformity with its programme of work for the period from 10 July 2014 to 9 July 2015, as required by paragraph 3 of Security Council resolution 2159 (2014). During its current mandate, the Panel has held consultations with 11 Member States. The Panel submitted to the Committee its midterm report on 24 October 2014.

89. Under the current mandate, at the invitation of the country concerned, the Panel of Experts conducted visits to Bahrain, Latvia, Denmark, Mongolia, Monaco, Poland, Estonia, Finland, the Lao People's Democratic Republic, Japan and Jordan to discuss measures taken to implement Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1929 (2010). The Panel has also held consultations, as appropriate, with the Office of Disarmament Affairs of the Secretariat, the United Nations Statistics Division, IAEA and other United Nations panels of experts.

C. Outreach and related activities

90. The Panel participated in conferences and seminars: the Financial Action Task Force plenaries and working group meetings; the European Union Non-Proliferation and Disarmament Conference; the 45th plenary meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing

[102] For example, *The Higher Education Guide and Toolkit on Export Controls and the ATAS Student Vetting Scheme*, prepared by the Department for Business Innovation and Skills and the Foreign and Commonwealth Office, United Kingdom (in partnership with the Association of University Legal Practitioners and Project Alpha of King's College London), 2 April 2015. Available from www.acsss.info/business/guidance-for-academia.

of Terrorism; the Ninth Annual Conference of the WCO Partnerships in Customs Academic Research and Development; a symposium organized by Australia and Singapore on "Managing Sanctions Risk in the Maritime Transportation Sector"; the Fall 2014 session of the Security and Strategic Trade Management Academy at the Center for International Trade and Security at the University of Georgia; a Governance and Compliance Management Conference hosted by the Government of Germany; a seminar hosted by the Belfer Center for Science and International Affairs at the John F. Kennedy School of Government of Harvard University; conferences organized by the Centre for Science and Security Studies at King's College London; a workshop on non-proliferation and export compliance organized by the China Arms Control and Disarmament Association, in cooperation with King's College; the 22nd Asian Export Control Seminar hosted by the Center for Information on Security Trade Control; the seminar on the Islamic Republic of Iran organized by the Japan Institute of International Affairs; and the 2015 Carnegie International Nuclear Policy Conference, sponsored by the Carnegie Endowment for International Peace. The Panel also held teleconferences or corresponded with academics and experts affiliated with think tanks, as well as representatives of many private companies.

91. The Panel also co-organized with the International Institute for Strategic Studies a two-day seminar held in Amman on 11 and 12 February 2015. Hosted by the Government of Jordan, the seminar brought together practitioners and experts of the region to discuss the implementation of the relevant Security Council resolutions and challenges they pose.

D. Composition

92. The Panel's composition at the time of the submission of the report is as follows: Salomé Zourabichvili (France), Coordinator; Mowaffaq Al-Refai (Jordan); Jonathan Brewer (United Kingdom of Great Britain and Northern Ireland); J. Christian Kessler (United States of America); Chunjie Li (China); Thomas Mazet (Germany); Kazuto Suzuki (Japan); and Elena Vodopolova (Russian Federation).

Annex I

Patterns of arms shipments from the Islamic Republic of Iran to Yemen

1. The Panel has continued to study and analyse information received in 2013 during the investigation into the *Jihan* arms shipment.[a]

2. Previous cases, none of which was reported by Yemen to the Committee but on which Yemeni authorities later provided information (see map), are described below in their chronological order:

- **Unnamed vessel (April 2009)**. According to information received by the Panel from Yemeni authorities, members of an Iranian "spy ring" arrested on 14 July 2009 said during the investigation conducted by Yemeni authorities that, in April 2009, an Iranian vessel unloaded crates of weapons on to Yemeni boats in international waters. They were then delivered in batches to Midi district. One of the batches was taken by car to a farm in Mukhazin district in the Yemeni governorate of Sa'dah, the main Houthi centre.

- **The vessel *Mahan 1* (October 2009)**. According to information received from Yemeni authorities and court documents, on 25 October 2009 the Yemeni Navy seized in Yemeni territorial waters an Iranian vessel named *Mahan 1*. According to Yemeni authorities, among the crew were five Iranians.[b] Yemeni prosecutors issued a writ confiscating the ship and weapons found on board. The First Instance Court of Sana'a convicted the crew of the *Mahan 1* of smuggling arms from the Islamic Republic of Iran to Yemen. An appeal by the Iranian Embassy in Yemen was rejected by the Specialized Appeals Court in December 2012.[c]

- **Unnamed vessel (February 2011)**. According to information received from Yemeni authorities, on 21 February 2011, an Iranian fishing vessel was seized by Yemeni authorities seven kilometres from the coast of Hadramawt governorate, after it pursued Yemeni fishermen in Yemeni territorial waters. Investigation by Yemeni authorities showed that the vessel carried a shipment of weapons comprising 900 Iranian-made anti-tank and anti-helicopter rockets intended for Houthi rebels.

- **The vessel *Nafis 1* (July 2011)**. According to information from Yemeni authorities and the statements of two crew members of *Jihan*, the *Nafis 1* sailed on 20 July 2011 from the Iranian military port of Chabahar bound for the Yemeni port of Nishtun.

  It was seized on 14 August 2011 by authorities of one Member State and detained for seven months.

  The Panel received conflicting information from the two crew members of the *Jihan* as to whether arms were on board. The Member State concerned made no report which suggested that the vessel carried arms.

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[a] See the Panel's final report of 2014 (S/2014/394).

[b] The Specialized Appeals Court, Sana'a District, decision dated 23 December 2012.

[c] Ibid.

- ***Nafis 1*** (IMO 8609753) is an Iranian vessel owned by the Iranian company Molaei M. Analysis by the Panel of commercial ship tracking data shows that from the end of May 2011 until March 2012 the vessel's Automatic Identification System was switched off and it could not be tracked by standard commercial satellites. The Panel has no further information about the cargo and the reason for its detention and continues its investigation.

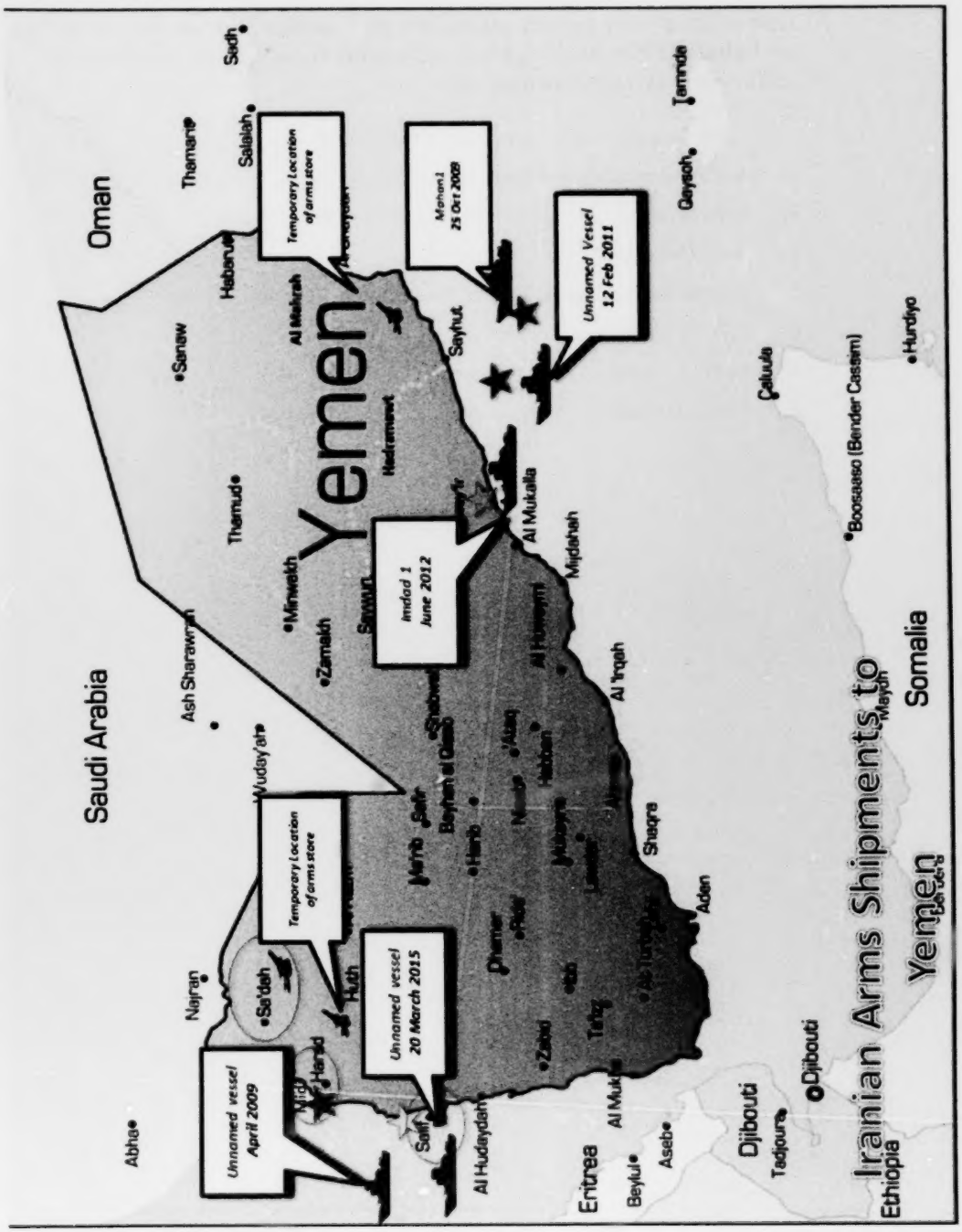
- **The vessel *Imdad 1* (March 2012)**. According to testimony provided by the crew of the *Jihan 1* to Yemeni authorities, the *Imdad 1* sailed from the Khawr Dabwah district of Mahrah governorate of Yemen in March 2012 to Bandar Abbas in the Islamic Republic of Iran. While in a military port in Bander Abbas, the *Imdad 1* was repaired, equipped and loaded with weapons. Only two members of the crew were present during the loading of these weapons.

  The *Imdad 1* then returned to Qusay'ir, governorate of Hadramawt, Yemen, in late May/early June 2012. The cargo was unloaded into small boats that had been rented from local fishermen at a point between Qusay'ir and Ra's Ba Ghashwah, governorate of Hadramawt. The cargo was taken to Shihr, stored and then taken to Sa'dah in four journeys by the same truck.

- **Unnamed vessel (March 2015)**. According to a media report dated 20 March 2015, an Iranian vessel carrying weapons arrived at As Salif port, Yemen, which was at the time in Houthi hands. The report alleged that according to its sources the vessel was carrying more than 180 tons of weapons and military equipment.[d]

[d] "Iranian arms-laden vessel arrives at As Salif Port in Al Hudaydah", *Al-Sharq al-Awsat*, 20 March 2015 (in Arabic).

Map of landing points



Source: Panel of Experts.

Annex II

List of front companies identified by German authorities as acting on behalf of Shahid Bagheri Industrial Group in chronological order as they were identified

1. Aban Commercial & Industrial Group, Tehran
2. Mehr Engineering and Industrial Group, Tehran
3. Saba Machinery Suppl(y)ing Co., Tehran
4. Selm Commercial Co., Tehran
5. Tabesh Engineering & Trading Cooperation, Tehran
6. Alae Industrial Co., Tehran
7. Pooya Commercial & Engineering Co., Tehran
8. Kimia Trading Co., Tehran

Annex III

Technical analysis of HexTow® IM7 12K carbon fibre

- According to its product data, the carbon fibre involved in the case possesses a tensile strength of 5,655 MPa, a tensile modulus of 276GPa and a density, 1.78 g/cm^3.[a]
- Such specifications are equivalent to $15.81*10^6$ m in "Specific Modulus" and $32.39*10^4$ m in "Specific Tensile Strength", as defined in section 2.C.7 of INFCIRC/254/Rev.7/Part 2.
- Section 2.C.7. of INFCIRC/254/Rev.7/Part 2 reads:

  "Fibrous or filamentary materials", and prepregs, as follows:

  a. Carbon or aramid "fibrous or filamentary materials" having either of the following characteristics:

  1. A 'specific modulus' of 12.7 x 10^6 m or greater; or

  2. A 'specific tensile strength' of 23.5 x 10^4 m or greater;

  Note: Item 2.C.7.a. does not control aramid "fibrous or filamentary materials" having 0.25% or more by weight of an ester based fibre surface modifier.
- The specifications of the carbon fibre in question indicate that the item falls above the control thresholds established in lists cited in resolution 1929 (2010).

[a] HexTow IM7 carbon fibre product data, official website of Hexcel Corporation. Available from www.hexcel.com/resources/datasheets/carbon-fiber-data-sheets/im7.pdf.

Annex IV

The Islamic Republic of Iran's procurement of miniature vertical gyroscopes

- According to information in the public domain, the Islamic Republic of Iran tried to procure vertical gyroscopes from June 2007 to September 2008.
- During the procurement of the vertical gyroscopes, at least five parties were involved: the Iranian purchaser; a front company in South-East Asia, Iranian-controlled; an intermediary based in South Caucasus; a trader in a South Pacific country; and a broker in North America. It appears that the funding followed the same pattern with successive intermediaries, except the one in South Caucasus.
- The gyroscopes in question, VG34 series miniature vertical gyroscopes (quantity 32, value €239,550), have a wide range of applications, including inertial navigation system such as in missiles, and stabilization of flying vehicles such as military aircraft.
- The gyroscope, the smallest produced by its manufacturer, has a ±90° sensitivity on the roll axis and ±60° sensitivity on the pitch axis. Furthermore, the gyroscope is sampled with 16-bit resolution and has an accuracy of within 0.25° of true vertical because of its specific self-erection system.[a]
- According to section 9.A.1 of document S/2006/815 as referred to in paragraph 3 (c) of resolution 1737 (2006), the specifications of the vertical gyroscopes indicate that they fall above the control threshold referred to in the resolution.

[a] Matthew Rhudy, Yu Gu, Jason Gross and Marcello R. Napolitano, "Evaluation of Matrix Square Root Operations for UKF within a UAV GPS/INS Sensor Fusion Application", *International Journal of Navigation and Observation*, Vol. 2011, Article ID 416828, 11 pages, 2011. doi:10.1155/2011/416828.

Annex V

Examples of financial transactions illustrating the need for vigilance[a]

1. One Member State described an example of a transaction involving intermediaries in multiple countries. The methods of concealment of the involvement of designated entities are to be noted: A purchase order was placed by a designated entity, Atomic Energy Organisation of Iran[b] (see diagram). The purchase order was forwarded through a front company. Payment was initiated by a second front company in the Islamic Republic of Iran through another designated entity, Bank Sepah[c] which transferred funds through an Iranian company in the food business to a non-United Nations sanctioned Iranian bank. From there, the transfer was made via a bank in country A[d] to a bank in country B.

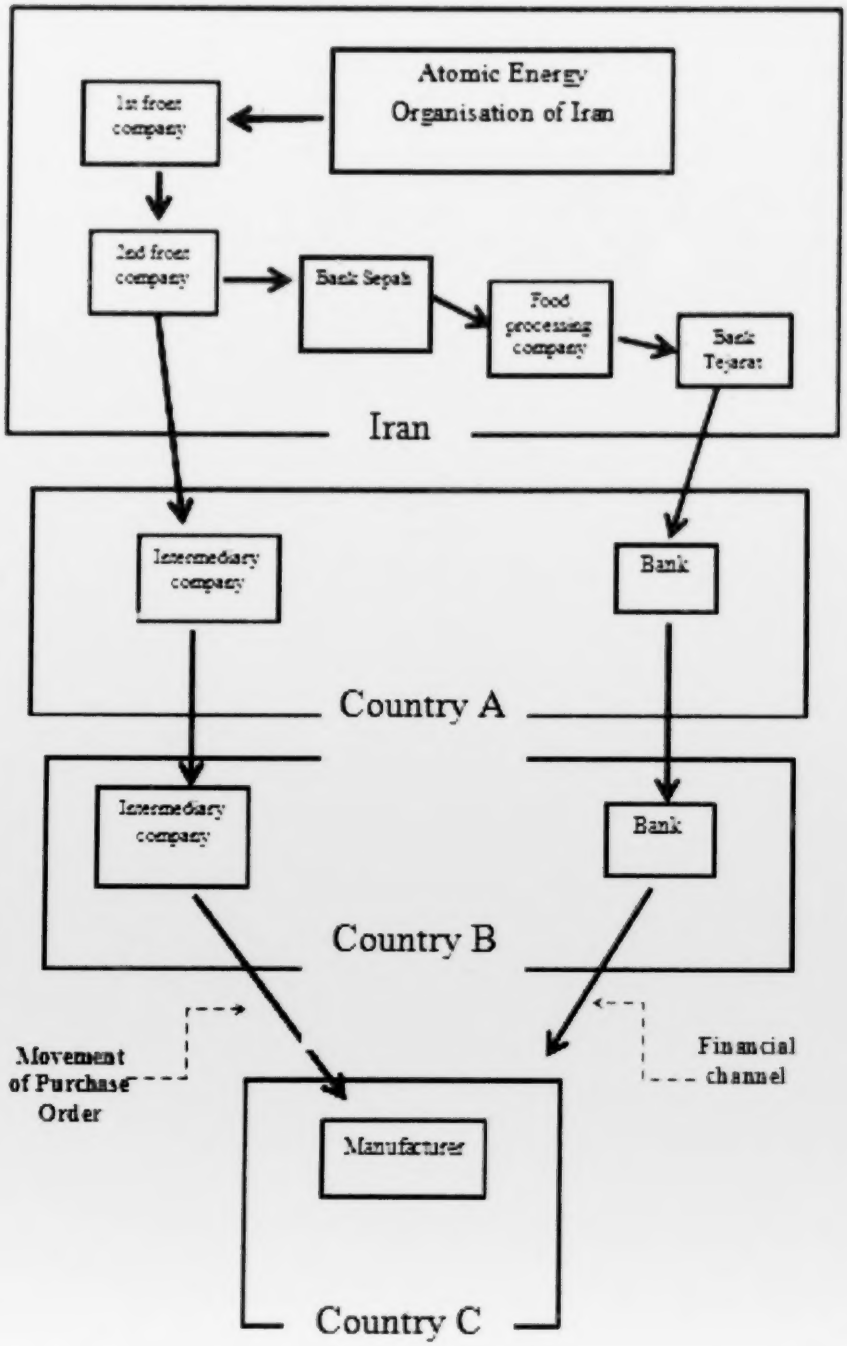
[a] See paragraph 22 of resolution 1929 (2010), under which States shall require companies incorporated in their territory or subject to their jurisdiction to exercise vigilance when doing business with Iranian entities.

[b] Listed on 23 December 2006 in section A of the annex to resolution 1737 (2006) (IRe.006).

[c] Listed on 24 March 2007 in annex I to resolution 1747 (2007) (IRe.007).

[d] The website of this bank (as accessed through the Wayback Machine on 11 March 2015) records that the Chief Executive Officer in 2010 previously served with Saderat Bank Iran.

Diagram illustrating mechanisms of procurement and financing involving multiple intermediaries and multiple countries



2. Several international financial institutions detected financial transactions structured so as to hide the involvement of an Iranian entity:

- A payment for freight charges which named two logistic companies but which made no reference to the Islamic Republic of Iran: at the request of the financial institution, an invoice was provided. This was found to contain a bill of lading reference number. Upon tracking this bill of lading, the final destination of the shipment was found to be the Islamic Republic of Iran;
- A payment to a company in a State neighbouring the Islamic Republic of Iran: the policy of the financial institution was to conduct enhanced due diligence where companies in this particular State were concerned and, as a result, this company (the beneficiary of the payment) was found to be located in the Islamic Republic of Iran. The address in the neighbouring State was a fake;
- An import Letter of Credit (LC) covering a shipment of goods: the goods originated in State A in South Asia, ostensibly to be shipped from State B neighbouring the Islamic Republic of Iran to State C in North Africa. The financial institution investigated the LC which showed that the shipment was conducted by a third party company, which was Iranian. The beneficiary of the LC in the neighbouring State B was acting as front company to the Iranian one, which was the actual beneficial owner from the LC;
- Payment covering goods shipped from a State A in North Africa to a State B neighbouring the Islamic Republic of Iran: a review by the international financial institution of related shipping documents revealed that the goods were in fact in transit to Iran;
- A company A in the Islamic Republic of Iran entered into an agreement with a company B located in a State in the Middle East under which company B agreed to accept or process payments on behalf of company A. Company B had a bank account at a non-Iranian financial institution. Company A informed its customers to direct their payments to company B and informed beneficiaries to expect payments from company B's bank. It is not known how the financial transaction between company B and company A in the Islamic Republic of Iran was conducted;
- An Iranian with an established business in the Islamic Republic of Iran, selling goods domestically and abroad, moved out of the Islamic Republic of Iran and continued to own and receive income from his business in the Islamic Republic of Iran. The income was received in the form of wire transactions from small financial institutions located in neighbouring countries. The accounts in the financial institutions from which the wires originated were affiliated with companies located outside the Islamic Republic of Iran (hawala methods may have been used to transfer value between the business in the Islamic Republic of Iran and these companies);
- A non-Iranian company A located outside the Islamic Republic of Iran attempted to send a payment to a company B inside the Islamic Republic of Iran: company A sent the payment to a specific account purportedly belonging to company B at a bank inside the Islamic Republic of Iran. The payment was rejected by an international financial institution and a report filed with the authorities. Company A then arranged a second payment for a similar amount, to a beneficiary company C located outside the Islamic Republic of Iran. The

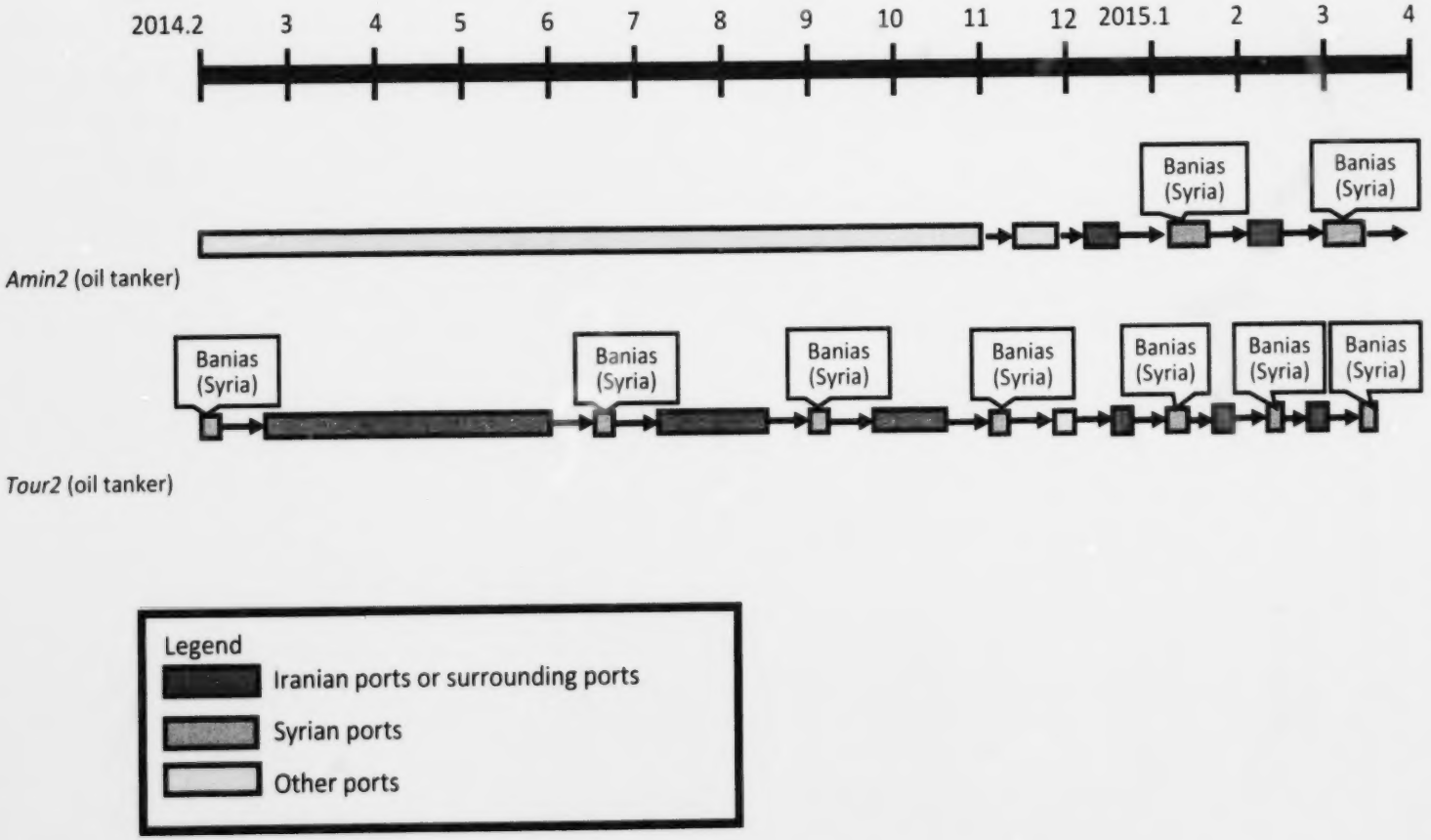
beneficiary account number was the same account number as the original company B. It is not known if/how this second attempted payment would have reached company B and no connection between the Iranian company B and the beneficiary company C located outside the Islamic Republic of Iran was revealed by open source searches.

3. One Member State was aware of a number of Iranian residents who, periodically in 2014, withdrew cash in local currency to the value of US$ 85,000 and then flew to the United Arab Emirates, carrying the cash smuggled inside suitcases. The State was not aware of the final destination of the cash.

Annex VI

Movements of Irano Hind Shipping Company ships

Two crude oil tankers, *Amin 2* and *Tour 2*, increased frequency of visits to the Syrian military port of Banias during the current mandate.



Annex VII

International commercial terms as defined in Incoterms 2010

Among the 11 terms, EXW is the only one under which the buyer takes the responsibility to clear the export control procedures, where such clearance is applicable.

Group	*Abbreviations*	*Full terms*	*Transportation and freight*	*Customs declaration and export control clearance*
E	EXW	Ex works	Buyer	Buyer
F	FCA	Free carrier	Buyer	Seller
	FOB	Free on board	Buyer	Seller
	FAS	Free alongside ship	Buyer	Seller
C	CFR/CNF	Cost and freight	Seller	Seller
	CIF	Cost insurance and freight	Seller	Seller
	CPT	Carriage paid to	Seller	Seller
	CIP	Carriage and insurance paid to	Seller	Seller
D	DAP	Delivered at place	Seller	Seller
	DAT	Delivered at terminal	Seller	Seller
	DDP	Delivered duty paid	Seller	Seller